



August 23, 2010

Honorable Mike Johanns
404 Russell Senate Office Building
Washington, DC 20510

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Dear Senator Johanns:

TransCanada is in receipt of your letter dated August 11, 2010, in which you express concerns regarding the ongoing negotiations between Nebraska landowners and the TransCanada Keystone Pipeline project. TransCanada is pleased to respond to the concerns you have raised.

Specifically, you indicate that landowners may have been given hard deadlines for responding to offers for easements and that eminent domain actions will be triggered if landowners do not accept the offers. You have asked for assurances that TransCanada will not terminate negotiations, refuse to negotiate with landowners, or threaten the use of eminent domain while TransCanada's application for a Presidential Permit remains pending. You have also asked that TransCanada immediately notify landowners that negotiation deadlines have been withdrawn.

First, let me assure you that it is TransCanada's policy to treat all landowners with respect and fairness. We have relationships with over 40,000 landowners across the 37,000 miles of pipeline infrastructure that TransCanada owns and operates in North America. We take these relationships very seriously and make every effort to understand and resolve landowner issues in a mutually beneficial way wherever possible. We recognize that acquiring an easement is simply the start of a relationship that will last for decades.

On the initial section of the Keystone Pipeline recently constructed in Nebraska, we acquired easements from approximately 400 landowners. Less than two percent of the easements required in Nebraska were acquired through the eminent domain process; all other easements were acquired through voluntary negotiation.

The Keystone XL Pipeline route is over 1,600 miles long and involves over 3,000 landowners. There are 473 landowners in Nebraska along the Keystone XL route. We have been negotiating easements with Nebraska and other landowners since 2008. These negotiations take into account individual landowner concerns and issues. We continue to negotiate in good faith with all landowners who have not yet agreed to easements. We believe the easement compensation we are offering is very fair. Our offers are based on the market value of the easement area. This compensation is paid for an easement that allows us to construct and operate the pipeline across the landowners' property, while the landowner retains ownership of the property and is able to farm and produce livestock on the easement area.

Consistent with our policy of fairness and respect, we utilize the eminent domain statutes only as a last resort, where good faith efforts to achieve amicable resolution of easement negotiations have not succeeded. We do everything reasonable to avoid recourse to the right of eminent domain. Typically, we find that the acquisition of easements through eminent domain is required in only a very small percentage of cases.

Having said all of this, we must also recognize the need to have a contiguous right-of-way available for construction of the pipeline in a time frame that allows us to bring about the benefits of the project in a timely manner, including particularly the timely delivery of necessary crude oil supplies to the benefit of Nebraskans and

all Americans. Nebraska, like all states, has recognized that the right of eminent domain is a necessary tool in developing critical infrastructure. Without eminent domain, individuals essentially would have veto power over infrastructure projects required to serve the public good. Moreover, eminent domain is not one-sided; it is a judicial process designed to arrive at fair compensation. The determination of easement value is made by objective, qualified third parties.

In recognition of the construction schedule for the Keystone XL project and the time required to utilize the eminent domain process, Keystone will need to commence eminent domain actions in the near future, where voluntary negotiations still remain unresolved. As a mandatory step in that process, Keystone is required to send "final offer" letters to landowners before commencing any eminent domain action. Those letters, of necessity, contain a date by which Keystone may commence legal action if no agreement is reached. This information must be communicated to landowners. We do not believe that information is conveyed in a threatening manner; however, we appreciate that this type of communication can sometimes generate emotions that may create that perception with the recipient.

Once eminent domain actions have commenced, Keystone still remains open to conducting negotiations and reaching settlements. Indeed, Keystone desires to settle all outstanding easement negotiations without legal proceedings, as that is a much preferable way to begin a long-term relationship with landowners and communities.

Accordingly, TransCanada commits to continue negotiating easements and making reasonable efforts to avoid the use of eminent domain. Moreover, our agents are instructed and will be reminded not to use the right of eminent domain as a threat, while still accurately communicating our intentions to landowners.

At the core of TransCanada is a set of values that put people first; integrity and honesty are the cornerstone for all our dealings with all stakeholders including landowners. Additionally, we strive to deliver our services in a manner that is safe, dependable, reliable, and cost efficient. Our reputation and track record of safety, reliability and fairness are extremely important to us. We embrace the principle that our collaboration with all stakeholders will be a defining factor for the success of our many ventures. To that end, we hope that all forms of government recognize that we are a private entity responsible for the continuous and reliable delivery of energy and, as we strive to build the critical infrastructure needed to deliver that energy, we require the right to use eminent domain.

I trust this adequately responds to your concerns in this area.

Very truly yours,

A handwritten signature in black ink, appearing to read 'RKG', is positioned above the typed name.

Russell K. Girling
President & CEO
TransCanada Corporation